

Retiree Drug Subsidy Applications Can Now Be Submitted

EXECUTIVE SUMMARY: CMS' Retiree Drug Subsidy (RDS) Center is pleased to announce that sponsors of employer and union retiree coverage electing to receive the retiree drug subsidy next year can now submit their online applications.

SUBSTANTIAL SAVINGS FOR PLAN SPONSORS: On January 1, 2006 the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) will go into effect. One of the options under the MMA is the Retiree Drug Subsidy (RDS). The RDS program is designed with highly flexible rules that permit employers and unions (Plan Sponsors) to continue providing high quality prescription drug coverage to their Medicare-eligible retirees at a lower cost while retaining their current plan designs that are at least equivalent to the value of the defined standard Part D benefit. The RDS program will pay 28 percent of the retiree's allowable drug costs (as defined by the regulation) to the Plan Sponsor that meets the regulatory requirements. The payments are free from federal income tax, which increases their value to plan sponsors that are subject to taxation. For more information on the RDS program, visit the RDS Center web site at <http://rds.cms.hhs.gov>.

NEW FUNCTIONALITY, NEW RESOURCES: The RDS application process was designed to be as easy and flexible as possible. Towards that end, either a Plan Sponsor or someone acting on their behalf, such as a consultant, may initiate and complete the online application process. In order to apply for the RDS program, a Plan Sponsor (or someone acting on their behalf) must apply online at the RDS Center web site (<http://rds.cms.hhs.gov>). The RDS Center web site currently has the functionality for applicants to complete, save, and submit their RDS online applications. The RDS Center continues to expand the resources available to plan sponsors. In

addition to the Helpline and "How to Apply" webpage, the website will be updated with additional FAQs and other information links. The RDS Center will also distribute a periodic E-Newsletter addressing hot topics and helpful hints.